



July 6, 1995

VIA FEDERAL EXPRESS

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Mail Stop Code 1170
Washington, DC 20554

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JUL 07 1995

FCC MAIL ROOM

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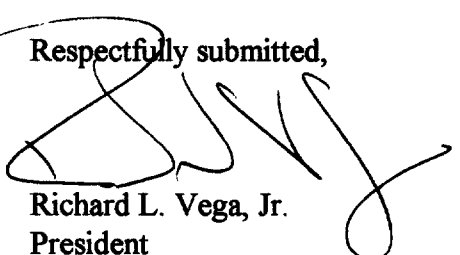
Re: Comments to PP Docket ~~95-263~~
Competitive Bidding - Further Notice of Proposed Rule Making

Dear Mr. Caton:

Enclosed herewith in an original and four (4) copies, are Comments prepared by The Richard L. Vega Group in response to the Further Notice of Proposed Rule Making in PP Docket No. 95-263, released June 23, 1995.

Should the Commission have any questions concerning these matters, please contact the undersigned.

Respectfully submitted,


Richard L. Vega, Jr.
President

RLVjr/lt
Enc.

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List A B C D E

The Richard L. Vega Group

Telecommunications Engineers/Consultants

P.O. Box 915049 □ 235 Hunt Club Boulevard □ Suite 101 □ Longwood, FL 32779 □ (407) 682-7104 □ FAX (407) 682-7144

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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In the Matter of)

FCC MAIL ROOM

Implementation of Section 309(j)
of the Communications Act -
Competitive Bidding)

PP Docket No. 93-253

Amendment of the Commission's
Cellular PCS Cross-Ownership Rule)

GN Docket No. 90-314

Implementation of Sections 3(n) and 332
of the Communications Act)
Regulatory Treatment of Mobile Services)

GN Docket No. 93-252

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COMMENTS ON FURTHER NOTICE OF PROPOSED RULE MAKING

The Richard L. Vega Group, Inc. ("RLVG") herein submits its Comments to the above Further Notice of Proposed Ruling Making ("FNPRM"). RLVG has been providing its telecommunications engineering and management consulting services to clients engaged in the various activities regulated by the Federal Communications Commission for the past twenty-five (25) years and, as such, has standing to file its Comments to the FNPRM, which are as follows:

- ☐ RLVG supports the Comments of its Chairman, Richard L. Vega, Sr., which have been submitted under separate cover.
- ☐ RLVG supports the Commission's proposed Amendments to Sections 24.709 and 24.720.
- ☐ RLVG suggests that Sections 24.711 and 24.712 be revised to provide for four (4) installment payment plans and bidding credits as follows:

| <u>Revenues</u> | <u>Credits</u> | <u>Payments</u> |
|-----------------|----------------|--------------------------------------------------------------|
| 75 - 125M | 0 | 10 years; 3.5% plus |
| 40 - 75M | 0 | 10 years; 2.5% plus |
| 20 - 40M | 10% | 10 years; 2.5% plus; interest only for first two years |
| < 20M | 40% | 10 years; 0% plus; interest only for first six years |

- RLVG believes that bidders having gross revenues of \$20M or less need the most help from the Commission, if an entity in this revenue category is to succeed in being a winning bidder for a market of reasonable size. With only a little help from the Commission, truly **small** businesses, which have already demonstrated their ability to succeed as a cellular

carrier or operator of other licensed services, can target medium-sized BTAs or consolidate several smaller BTAs, rather than forge through "left-over" markets of questionable viability if operated on a stand-alone basis. Additionally, by creating a separate category for the truly small business, the Commission would be leveling the playing field by its assignment of an affordable payment plan and enhanced bidding credits to the smaller players. As an example, under the Commission's proposal in its FNPRM, bidders competing for a 1,000,000 pop market would have a corresponding debt burden, as demonstrated in Table 1, should the winning bid be \$10M.

From the above, while there are significant benefits to companies with revenue in excess of \$30M, the benefits diminish, if not evaporate, for those truly small companies which the Commission previously defined as those companies with gross revenues of approximately \$6M. By adopting a Rule providing a bidding credit of 40%, as extended to qualifying bidders in the Narrowband PCS Auctions, for truly small companies (i.e. those having gross revenues less than \$20M), the playing field has been made more level, and the opportunity for the smaller entity to participate is realized, as demonstrated in Table 2.

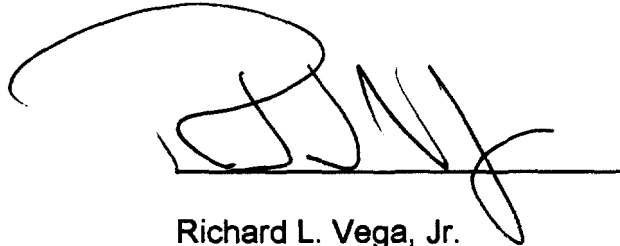
The inequity to the truly small business is demonstrated by Table 1. Table 1 further demonstrates, as proven by Table 2, that bidding entities with gross revenues greater than \$40M do not require bidding credits. Hence, RLVG recommends herein that the Commission skew its payment plans and bidding credits in favor of the truly small business and not offer these valuable preferences where they are not required.

- ☐ RLVG supports the Commission's proposed Amendment to Sections 24.204 and 20.6.

- ☐ Within the FCC Bidder Information Package dated August 1, 1995, on Page 69, Paragraph B, "Minimum Bid Increments and Tie Bids", needs to be reconsidered. Based upon computer simulations constructed and performed by RLVG, the establishment of a minimum bid increment at the greater of 5% of the previous high bid, or 2¢ per MHz-pop, in combination with the bidding activity required by each stage, will result in a substantial over-payment for the license by each winning bidder. Since it is the Commission's goal to let the marketplace determine the value of these licenses, then the bidding procedures adopted should not result in the true market value of a license being circumvented by its bidding procedures. It is suggested that a minimum bid increment at the greater of 5% of the previous

high bid, or $\frac{1}{4}$ ¢ per MHz-pop, be adopted. Without a revision of this type, it is not expected that the bidding will survive through three stages.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Vega', is written over a horizontal line.

Richard L. Vega, Jr.
President
The Richard L. Vega Group
235 Hunt Club Blvd.
Longwood, FL 32779

Dated: July 6, 1995

TABLE 1

FNPRM PROPOSED INSTALLMENT PLANS AND BIDDING CREDITS

| Size of Company | Winning Bid | Bidding Credit | Down-Payment | Annual Payments (assumes rate for Treasury Notes is 7.5%) | | | | |
|-----------------|-------------|----------------|--------------|-----------------------------------------------------------|-------------|------------|--------------|------------|
| | | | | First Year | Second Year | Sixth Year | Seventh Year | Tenth Year |
| 124M | 10M | -0- | 1M | 1.53M | 1.53M | 1.53M | 1.53M | 1.53M |
| 74M | 10M | 1.0M | 0.9M | 0.81M | 1.41M | 1.41M | 1.41M | 1.41M |
| 35M | 10M | 2.5M | 0.75M | 0.51M | 0.51M | 0.51M | 2.0M | 2.0M |
| 5M | 10M | 2.5M | 0.75M | 0.51M | 0.51M | 0.51M | 2.0M | 2.0M |

TABLE 2

SUGGESTED INSTALLMENT PAYMENT PLANS AND BIDDING CREDITS

| Size of Company | Winning Bid | Bidding Credit | Down-Payment | Annual Payments (assumes rate for Treasury Notes is 7.5%) | | | | |
|-----------------|-------------|----------------|--------------|-----------------------------------------------------------|-------------|------------|--------------|------------|
| | | | | First Year | Second Year | Sixth Year | Seventh Year | Tenth Year |
| 124M | 10M | -0- | 1M | 1.53M | 1.53M | 1.53M | 1.53M | 1.53M |
| 74M | 10M | -0- | 1M | 0.9M | 1.56M | 1.56M | 1.56M | 1.56M |
| 35M | 10M | 1.0M | 0.9M | 0.81M | 0.81M | 1.53M | 1.53M | 1.53M |
| 5M | 10M | 4.0M | 0.60M | 0.41M | 0.41M | 0.41M | 1.6M | 1.6M |